

WEST BRANCH COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2011

WEST BRANCH COMMUNITY SCHOOL DISTRICT
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WEST BRANCH COMMUNITY SCHOOL DISTRICT
Officials
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Mike Owen	Board President	2013
Kathy Knoop	Board Member	2011
Deb Schreiber	Board Member	2011
Richard Paulus	Board Member	2011
Carolyn Harold	Board Member	2013
School Officials		
Craig Artist	Superintendent	2011
Angie Morrison	District Secretary/Treasurer	Indefinite
C. Joseph Holland	Attorney	Indefinite

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive Suite 3
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
West Branch Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of West Branch Community School District, West Branch, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of West Branch Community School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 2, 2012 on my consideration of West Branch Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 47 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Branch Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the eight years in the period ended June 30, 2011, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Branch Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,171,229 in fiscal 2010 to \$7,767,101 in fiscal 2011, and General Fund expenditures decreased from \$7,349,410 in fiscal 2010 to \$7,338,466 in fiscal 2011. The District's General Fund balance increased from \$902,318 in fiscal 2010 to \$1,330,953 in fiscal 2011, a 48% increase.
- The increase in General Fund Revenues was attributable to an increase in enrollment, Medicaid reimbursement and Special Ed Part B funding from federal dollars as well as ARRA funding. The decrease in General Expenditures was primarily due to staff reductions and other cost savings measures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Branch Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Branch Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Branch Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and changes in fiduciary net assets

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
West Branch Community School District Annual Financial Report

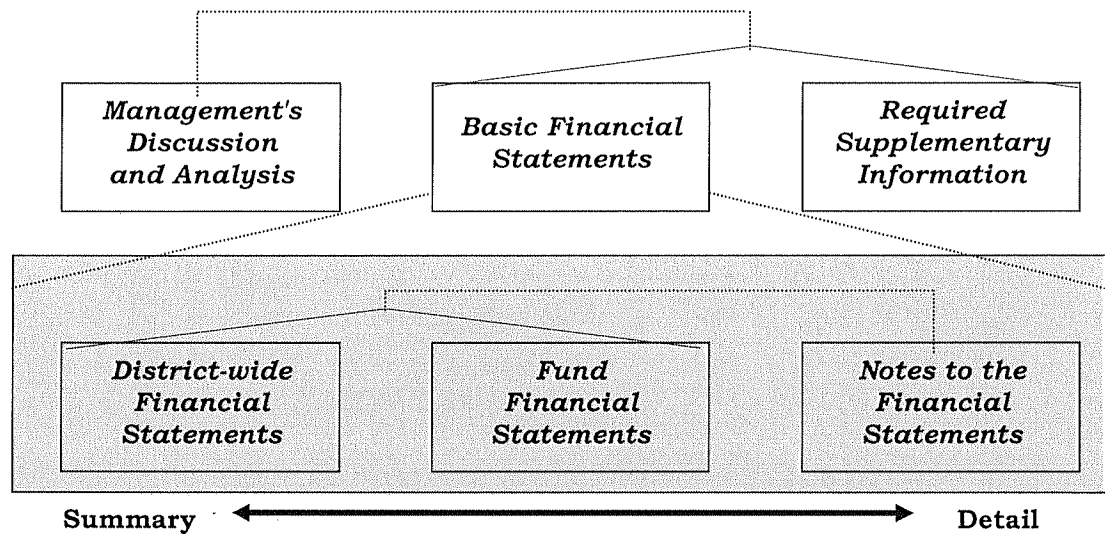


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as student assistance programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects, Debt Service and Special Revenue Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary fund:* Services for which the District charges a fee are generally reported in a proprietary fund. The proprietary fund is reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, are the same as its business type activity, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary fund include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of an Agency Fund.

- Agency Fund – This is a fund through which the District administers and accounts for a student assistance program.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary fund include a statement of fiduciary net assets. A statement of changes in fiduciary net assets is included as supplementary information.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-</u> <u>2011</u>
Current and other assets	\$ 10,159,558	\$ 10,227,037	\$ 59,627	\$ 41,054	\$ 10,219,185	\$ 10,268,091	-0.48%
Capital assets	<u>7,127,741</u>	<u>6,390,886</u>	<u>22,693</u>	<u>16,547</u>	<u>7,150,434</u>	<u>6,407,433</u>	11.60%
Total assets	<u>17,287,299</u>	<u>16,617,923</u>	<u>82,320</u>	<u>57,601</u>	<u>17,369,619</u>	<u>16,675,524</u>	4.16%
Long-term liabilities	5,871,652	6,114,643	-	-	5,871,652	6,114,643	-3.97%
Other liabilities	<u>3,933,397</u>	<u>3,682,563</u>	<u>81</u>	<u>-</u>	<u>3,933,478</u>	<u>3,682,563</u>	6.81%
Total liabilities	<u>9,805,049</u>	<u>9,797,206</u>	<u>81</u>	<u>-</u>	<u>9,805,130</u>	<u>9,797,206</u>	0.08%
Net assets							
Invested in capital assets,							
net of related debt	3,689,773	3,635,886	22,693	16,547	3,712,466	3,652,433	1.64%
Restricted	2,617,842	2,260,472	-	-	2,617,842	2,260,472	15.81%
Unrestricted	<u>1,174,635</u>	<u>924,359</u>	<u>59,546</u>	<u>41,054</u>	<u>1,234,181</u>	<u>965,413</u>	27.84%
Total net assets	<u>\$ 7,482,250</u>	<u>\$ 6,820,717</u>	<u>\$ 82,239</u>	<u>\$ 57,601</u>	<u>\$ 7,564,489</u>	<u>\$ 6,878,318</u>	9.98%

The District's combined net assets increased by approximately 10%, or \$686,171, over the prior year. The largest portion of the District's net assets is the restricted net assets. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$357,370, or approximately 16% over the prior year. The increase in the General Fund was due to new coding requirements by the Department of Education regarding categorical funding as well as the carryover of Education Jobs Funding to be expended in 2012.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$268,768, or approximately 28%. The increase was primarily due to the District's amount of revenue in 2011 in relation to expenditures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

	Change in Net Assets						Total
	Governmental Activities		Business Type Activities		Total District		Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Revenues							
Program revenues							
Charges for service	\$ 390,370	\$ 712,410	\$ 233,392	\$ 249,190	\$ 623,762	\$ 961,600	-35.13%
Operating grants	1,425,730	1,498,277	132,276	126,353	1,558,006	1,624,630	-4.10%
General revenues							
Property tax	4,044,856	3,960,735	-	-	4,044,856	3,960,735	2.12%
Statewide sales, services and use tax	596,187	503,281	-	-	596,187	503,281	18.46%
Unrestricted state grants	2,897,392	2,322,193	-	-	2,897,392	2,322,193	24.77%
Contributions and donations	484,277	54,507	-	-	484,277	54,507	788.47%
Unrestricted investment earnings	34,151	15,346	404	10	34,555	15,356	125.03%
Other	76,185	46,343	-	-	76,185	46,343	64.39%
Special item - capital contribution	-	-	15,975	-	15,975	-	100.00%
Total revenues and special item	<u>9,949,148</u>	<u>9,113,092</u>	<u>382,047</u>	<u>375,553</u>	<u>10,331,195</u>	<u>9,488,645</u>	8.88%
Program expenses							
Governmental activities							
Instruction	5,310,046	5,475,940	-	-	5,310,046	5,475,940	-3.03%
Support services	2,587,199	2,425,042	-	-	2,587,199	2,425,042	6.69%
Non-instructional programs	5,926	1,000	357,409	343,834	363,335	344,834	5.37%
Other expenses	<u>1,384,444</u>	<u>959,572</u>	<u>-</u>	<u>-</u>	<u>1,384,444</u>	<u>959,572</u>	44.28%
Total expenses	<u>9,287,615</u>	<u>8,861,554</u>	<u>357,409</u>	<u>343,834</u>	<u>9,645,024</u>	<u>9,205,388</u>	4.78%
Change in net assets	661,533	251,538	24,638	31,719	686,171	283,257	142.24%
Net assets, beginning of year	<u>6,820,717</u>	<u>6,569,179</u>	<u>57,601</u>	<u>25,882</u>	<u>6,878,318</u>	<u>6,595,061</u>	4.29%
Net assets, end of year	<u>\$ 7,482,250</u>	<u>\$ 6,820,717</u>	<u>\$ 82,239</u>	<u>\$ 57,601</u>	<u>\$ 7,564,489</u>	<u>\$ 6,878,318</u>	9.98%

In fiscal 2011, property tax and unrestricted state grants account for 70% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$10,331,195 of which \$9,949,148 was for governmental activities and \$382,047 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9% increase in revenues and a 5% increase in expenses. Revenues increased primarily due to an increase in enrollment. Expenditures increased due to the Gym/weight room project in the Capitol Projects fund.

Governmental Activities

Revenues for governmental activities were \$9,949,148 and expenses were \$9,287,615 for the year ended June 30, 2011. The district continues to attempt to keep expenses below revenues whenever possible to maintain a strong financial position.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 5,310,046	\$ 5,475,940	-3.0%	\$ 3,828,660	\$ 3,610,531	6.0%
Support services	2,587,199	2,425,042	6.7%	2,577,816	2,414,212	6.8%
Non-instructional programs	5,926	1,000	492.6%	5,326	(23,450)	122.7%
Other expenses	<u>1,384,444</u>	<u>959,572</u>	44.3%	<u>1,059,713</u>	<u>649,574</u>	63.1%
Total expenses	<u>\$ 9,287,615</u>	<u>\$ 8,861,554</u>	4.8%	<u>\$ 7,471,515</u>	<u>\$ 6,650,867</u>	12.3%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$390,370.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,425,730.
- The net cost of governmental activities was financed with \$4,641,043 in property and other taxes and \$2,897,392 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$382,047 representing a 2% increase over the prior year while expenses totaled \$357,409, a 4% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District was able to continue to increase the Nutrition Fund balance for the year. This was accomplished by a combination of factors. Free and reduced lunch percentage went up and a concerted effort was made to track food costs to ensure that weekly meal costs were not higher than the revenue. Commodities were also used more efficiently during the year to help curb costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Branch Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,631,432 well below last year's ending fund balances of \$5,934,128. The primary reason for the decrease in combined fund balances in fiscal 2011 is due to an decrease in the Capital Projects. A large portion of the gym/weight room project was completed in 2011 thus decreasing the balance in the Capitol Projects fund.

Governmental Fund Highlights

- The General Fund balance increased from \$902,318 to \$1,330,953. This was due to an increase in revenue from increased enrollment along with cost saving measures by the district.
- The Capital Projects Fund balance decreased from \$4,618,269 in 2010 to \$3,967,052 in 2011.-As stated before, this is primarily due to the gym/weight room project that is being funded by the sales revenue bonds sold in 2010.

Proprietary Fund Highlights

Enterprise fund net assets increased from \$57,601 at June 30, 2010 to \$82,239 at June 30, 2011, representing an increase of approximately 42%. Free and reduced lunch percentages when up significantly as well as the District making a concerted effort to hold down costs whenever possible and to increase participation.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year ended June 30, 2011.

The District's revenues were \$696,949 more than budgeted revenues, a variance of approximately 7%.

Total expenditures were \$262,026 less than budgeted, due primarily to It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$7,150,434, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 12% over the prior year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$354,802.

The original cost of the District's capital assets was \$12,497,633. Governmental funds account for \$12,341,316, with the remainder of \$156,317 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category, which increased from nothing at 2010 to \$992,968 in 2011. This increase resulted from This again is due to the Gym/Weight room project being built.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change 2010- 2011
	2011	2010	2011	2010	2011	2010	
Land	\$ 116,055	\$ 116,055	\$ -	\$ -	\$ 116,055	\$ 116,055	0.00%
Construction in progress	992,968	-	-	-	992,968	-	100.00%
Buildings and improvements	5,172,106	5,352,480	-	-	5,172,106	5,352,480	-3.37%
Improvements, other than buildings	476,265	515,400	-	-	476,265	515,400	-7.59%
Furniture and equipment	<u>370,347</u>	<u>406,951</u>	<u>22,693</u>	<u>16,547</u>	<u>393,040</u>	<u>423,498</u>	-7.19%
Totals	<u>\$7,127,741</u>	<u>\$6,390,886</u>	<u>\$22,693</u>	<u>\$16,547</u>	<u>\$ 7,150,434</u>	<u>\$6,407,433</u>	11.60%

Long-Term Debt

At June 30, 2011, the District had \$5,871,652 in total long-term debt outstanding. This represents a decrease of approximately 4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$13.8 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total	Total	
	District	Change	
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
General obligation bonds	\$ 2,445,000	\$ 2,755,000	-11.25%
Revenue bonds	3,255,000	3,255,000	0.00%
Early retirement	69,668	32,571	113.90%
Compensated absences	19,694	30,844	-36.15%
Net OPEB liability	<u>82,290</u>	<u>41,228</u>	99.60%
Total	<u>\$5,871,652</u>	<u>\$6,114,643</u>	-3.97%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment actually took a dip of 20 students in the fall of 2011. While the District hopes that this is a one time decrease, there is a new development currently being constructed that could bring more families to the community and to West Branch Schools.
- The District completed the Gym/Weight Room in January of 2012 and this new facility could also draw more children to the school district.
- The Board refinanced the General Obligation Bonds in January of 2012 for a savings of over \$180,000 in interest over the next six years. This will also allow for some flexibility with tax levy during this time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Morrison, Business Manager/Board Secretary/Treasurer, West Branch Community School District, 801 W Main Street, West Branch, IA 52358.

Basic Financial Statements

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents			
Cash with fiscal agent	\$ 450,501	\$ -	\$ 450,501
Other	5,121,194	57,440	5,178,634
Receivables			
Property tax			
Delinquent	49,103	-	49,103
Succeeding year	3,755,564	-	3,755,564
Accounts receivable	1,239	846	2,085
Income surtax	502,036	-	502,036
Due from other governments	279,921	-	279,921
Inventories	-	1,341	1,341
Non-depreciable capital assets	1,109,023	-	1,109,023
Capital assets, net of accumulated depreciation	6,018,718	22,693	6,041,411
Total assets	<u>17,287,299</u>	<u>82,320</u>	<u>17,369,619</u>
Liabilities			
Accounts payable	97,615	81	97,696
Salaries and benefits payable	13,609	-	13,609
Accrued interest payable	66,609	-	66,609
Deferred revenue			
Succeeding year property tax	3,755,564	-	3,755,564
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	310,000	-	310,000
Revenue bonds payable	135,000	-	135,000
Early retirement payable	69,668	-	69,668
Portion due after one year			
General obligation bonds payable	2,135,000	-	2,135,000
Revenue bonds payable	3,120,000	-	3,120,000
Compensated absences	19,694	-	19,694
Net OPEB liability	82,290	-	82,290
Total liabilities	<u>9,805,049</u>	<u>81</u>	<u>9,805,130</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Total
Net Assets			
Invested in capital assets	\$ 3,689,773	\$ 22,693	\$3,712,466
Restricted for			
Categorical funding	462,446	-	462,446
Student activities	108,871	-	108,871
Management levy purposes	109,796	-	109,796
Physical plant and equipment	718,019	-	718,019
School infrastructure	1,218,710	-	1,218,710
Unrestricted	1,174,635	59,546	1,234,181
Total net assets	<u>\$ 7,482,250</u>	<u>\$ 82,239</u>	<u>\$7,564,489</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2011

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>		
					<u>Governmental Activities</u>	<u>Business Type Activities</u>
<u>Functions/Programs</u>						
Governmental activities						
Instruction						
Regular instruction	\$ 3,343,827	\$ 369,681	\$ 925,811	\$ -	\$ (2,048,335)	\$ (2,048,335)
Special instruction	818,755	10,854	158,503	-	(649,398)	(649,398)
Other instruction	1,147,464	9,235	7,302	-	(1,130,927)	(1,130,927)
	5,310,046	389,770	1,091,616	-	(3,828,660)	(3,828,660)
Support services						
Student	234,533	-	-	-	(234,533)	(234,533)
Instructional staff	174,412	-	5,155	-	(169,257)	(169,257)
Administration	928,833	-	-	-	(928,833)	(928,833)
Operation and maintenance of plant	871,691	-	-	-	(871,691)	(871,691)
Transportation	377,730	-	4,228	-	(373,502)	(373,502)
	2,587,199	-	9,383	-	(2,577,816)	(2,577,816)
	5,926	600	-	-	(5,326)	(5,326)
Non-instructional programs						
Other expenses						
Facilities acquisition	651,287	-	-	-	(651,287)	(651,287)
Long-term debt interest	224,180	-	-	-	(224,180)	(224,180)
AEA flowthrough	324,731	-	324,731	-	-	-
Depreciation (unallocated) *	184,246	-	-	-	(184,246)	(184,246)
	1,384,444	-	324,731	-	(1,059,713)	(1,059,713)
Total governmental activities	9,287,615	390,370	1,425,730	-	(7,471,515)	(7,471,515)

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest			Governmental Business Type Activities Activities		
	Expenses	Charges for Services	Interest	Activities	Activities	Total
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 357,409	\$ 233,392	\$ -	\$ -	\$ 8,259	\$ 8,259
Total	<u>\$ 9,645,024</u>	<u>\$ 623,762</u>	<u>\$ 1,558,006</u>	<u>\$ (7,471,515)</u>	<u>\$ 8,259</u>	<u>\$ (7,463,256)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes				3,184,368	-	3,184,368
Debt service				410,348	-	410,348
Capital outlay				450,140	-	450,140
Statwide sales, services and use tax				596,187	-	596,187
Unrestricted state grants				2,897,392	-	2,897,392
Contributions and donations				484,277	-	484,277
Unrestricted investment earnings				34,151	404	34,555
Other				76,185	-	76,185
Special item - capital contribution				-	15,975	15,975
Total general revenues and special item				<u>8,133,048</u>	<u>16,379</u>	<u>8,149,427</u>
Change in net assets				661,533	24,638	686,171
Net assets, beginning of year				6,820,717	57,601	6,878,318
Net assets, end of year				<u>\$ 7,482,250</u>	<u>\$ 82,239</u>	<u>\$ 7,564,489</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments				
Cash with fiscal agent	\$ -	\$ 450,501	\$ -	\$ 450,501
Other	1,453,375	3,334,364	333,455	5,121,194
Receivables				
Property tax				
Delinquent	39,252	2,842	7,009	49,103
Succeeding year	2,937,373	217,936	600,255	3,755,564
Accounts receivable	115	-	1,124	1,239
Income surtax	270,327	231,709	-	502,036
Due from other governments	78,482	201,439	-	279,921
Total assets	<u>\$ 4,778,924</u>	<u>\$ 4,438,791</u>	<u>\$ 941,843</u>	<u>\$ 10,159,558</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 67,360	\$ 22,094	\$ 8,161	\$ 97,615
Employee benefits payable	13,609	-	-	13,609
Deferred revenue				
Succeeding year property tax	2,937,373	217,936	600,255	3,755,564
Income surtax	270,327	231,709	-	502,036
Federal programs	159,302	-	-	159,302
Total liabilities	<u>3,447,971</u>	<u>471,739</u>	<u>608,416</u>	<u>4,528,126</u>
Fund balances				
Restricted for				
Categorical funding	462,446	-	-	462,446
Debt service	-	-	45,092	45,092
Management levy purposes	-	-	179,464	179,464
Student activities	-	-	108,871	108,871
School infrastructure	-	3,480,742	-	3,480,742
Physical plant and equipment	-	486,310	-	486,310
Unassigned	868,507	-	-	868,507
Total fund balances	<u>1,330,953</u>	<u>3,967,052</u>	<u>333,427</u>	<u>5,631,432</u>
Total liabilities and fund balances	<u>\$ 4,778,924</u>	<u>\$ 4,438,791</u>	<u>\$ 941,843</u>	<u>\$ 10,159,558</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2011

Exhibit D

Total fund balances of governmental funds	\$5,631,432
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,127,741
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	661,338
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(66,609)
--	----------

Long-term liabilities, including bonds payable, early retirement benefits payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,871,652)</u>
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Net assets of governmental activities	<u><u>\$7,482,250</u></u>
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WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

		Capital	Nonmajor	
	<u>General</u>	<u>Projects</u>	<u>Governmental</u>	<u>Total</u>
Revenues			Funds	
Local sources				
Local tax	\$3,075,606	\$1,069,969	\$ 545,700	\$4,691,275
Tuition	341,921	-	-	341,921
Other	104,409	59,610	475,306	639,325
State sources	3,871,277	66	163	3,871,506
Federal sources	373,888	-	-	373,888
Total revenues	<u>7,767,101</u>	<u>1,129,645</u>	<u>1,021,169</u>	<u>9,917,915</u>
Expenditures				
Current				
Instruction				
Regular	3,149,875	39,283	59,821	3,248,979
Special	814,181	-	-	814,181
Other	708,924	-	493,198	1,202,122
	<u>4,672,980</u>	<u>39,283</u>	<u>553,019</u>	<u>5,265,282</u>
Support services				
Student	232,893	-	-	232,893
Instructional staff	173,521	-	-	173,521
Administration	933,799	-	5,000	938,799
Operation and maintenance				
of plant	689,086	-	112,741	801,827
Transportation	311,456	-	16,869	328,325
	<u>2,340,755</u>	<u>-</u>	<u>134,610</u>	<u>2,475,365</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Other expenditures				
Facilities acquisition	-	1,666,903	-	1,666,903
Long-term debt				
Principal	-	-	310,000	310,000
Interest and fiscal charges	-	8,000	169,330	177,330
AEA flowthrough	324,731	-	-	324,731
	<u>324,731</u>	<u>1,674,903</u>	<u>479,330</u>	<u>2,478,964</u>
Total expenditures	<u>7,338,466</u>	<u>1,714,186</u>	<u>1,167,959</u>	<u>10,220,611</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 428,635	\$ (584,541)	\$ (146,790)	\$ (302,696)
Other financing sources (uses)				
Interfund operating transfers in	-	3,227,962	66,676	3,294,638
Interfund operating transfers (out)	-	(3,294,638)	-	(3,294,638)
Total other financing sources (uses)	-	(66,676)	66,676	-
Net change in fund balances	428,635	(651,217)	(80,114)	(302,696)
Fund balance, beginning of year, as restated	902,318	4,618,269	413,541	5,934,128
Fund balance, end of year	<u>\$1,330,953</u>	<u>\$3,967,052</u>	<u>\$ 333,427</u>	<u>\$5,631,432</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit F

Net change in fund balances - total governmental funds \$ (302,696)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 1,087,403	
Depreciation expense	<u>(350,548)</u>	736,855

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	31,234
--	--------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	310,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Early retirement	\$ (37,097)	
Compensated absences	11,149	
Other postemployment benefits	<u>(41,062)</u>	(67,010)

Interest on long-term debt in the Statement of Activities differs from the amount in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(46,850)</u>
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Change in net assets of governmental activities \$ 661,533

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2011

Exhibit G

	Nonmajor <u>Enterprise</u> School <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$57,440
Accounts receivable	846
Inventories	1,341
Capital assets, net of accumulated depreciation	<u>22,693</u>
Total assets	<u>82,320</u>
Liabilities	
Accounts payable	<u>81</u>
Net Assets	
Invested in capital assets	22,693
Unrestricted	<u>59,546</u>
Total net assets	<u><u>\$82,239</u></u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

Exhibit H

	Nonmajor Enterprise <u>School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$233,392</u>
Operating expenses	
Support services	
Operation and maintenance of plant	
Supplies	<u>4,002</u>
Non-instructional programs	
Food service operations	
Salaries	102,694
Benefits	45,431
Purchased services	1,611
Supplies	199,417
Depreciation	<u>4,254</u>
	<u>353,407</u>
Total operating expenses	<u>357,409</u>
Operating loss	<u>(124,017)</u>
Non-operating revenues	
Interest income	404
Capital contributions	15,975
State sources	3,256
Federal sources	<u>129,020</u>
Total non-operating revenues	<u>148,655</u>
Net income	24,638
Net assets, beginning of year	<u>57,601</u>
Net assets, end of year	<u>\$ 82,239</u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011

Exhibit I

	<u>Nonmajor Enterprise School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 233,287
Cash payments to employees for services	(148,125)
Cash payments to suppliers for goods and services	<u>(186,860)</u>
Net cash used in operating activities	<u>(101,698)</u>
Cash flows from non-capital financing activities	
State grants received	3,256
Federal grants received	<u>113,469</u>
Net cash provided by non-capital financing activities	<u>116,725</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>404</u>
Net increase in cash and cash equivalents	15,431
Cash and cash equivalents, beginning of year	42,009
Cash and cash equivalents, end of year	<u><u>\$ 57,440</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$(124,017)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	4,254
Commodities used	18,089
(Increase) in accounts receivable	(105)
Increase in accounts payable	<u>81</u>
Net cash used in operating activities	<u><u>\$(101,698)</u></u>

Non-cash investing, capital and related financing activities

During the year ended June 30, 2011, the District received \$18,089 of federal commodities.

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2011

Exhibit J

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 3,769
Liabilities	
Due to others	<u>3,769</u>
Net assets	<u><u>\$ -</u></u>

See notes to financial statements.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

The West Branch Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of West Branch, Iowa, and the agricultural territory in Cedar and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Branch Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The West Branch Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. The District does not have any debt related to capital assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports no major proprietary funds; however, it reports one non-major proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations. The District's Agency Fund is used to account for activity of a student assistance program.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, compensated absences, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the

related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and improvements	20-50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	4-20 years

Salaries and Benefits Payable - Teacher contracts and payroll for hourly employees are paid at June 30, 2011; however, the benefits on these payments are not paid until July. Therefore, these benefits have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds as well as property tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Early Retirement Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2011. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Compensated Absences - Certain District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an

expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$109,796 for management levy purposes, \$718,019 for physical plant and equipment, \$108,871 for student activities and \$1,218,710 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$325,284 pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJIT is registered with and regulated by the Securities and Exchange Commission.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 116,055	\$ -	\$ -	\$ 116,055
Construction in progress	-	992,968	-	992,968
Total capital assets not being depreciated	<u>116,055</u>	<u>992,968</u>	<u>-</u>	<u>1,109,023</u>
Capital assets being depreciated:				
Buildings and improvements	8,688,154	-	-	8,688,154
Improvements other than buildings	1,081,833	-	-	1,081,833
Furniture and equipment	<u>1,367,871</u>	<u>94,435</u>	<u>-</u>	<u>1,462,306</u>
Total capital assets being depreciated	<u>11,137,858</u>	<u>94,435</u>	<u>-</u>	<u>11,232,293</u>
Less accumulated depreciation for:				
Buildings and improvements	3,335,674	180,374	-	3,516,048
Improvements other than buildings	566,433	39,135	-	605,568
Furniture and equipment	<u>960,920</u>	<u>131,039</u>	<u>-</u>	<u>1,091,959</u>
Total accumulated depreciation	<u>4,863,027</u>	<u>350,548</u>	<u>-</u>	<u>5,213,575</u>
Total capital assets being depreciated, net	<u>6,274,831</u>	<u>(256,113)</u>	<u>-</u>	<u>6,018,718</u>
Governmental activities capital assets, net	<u>\$ 6,390,886</u>	<u>\$ 736,855</u>	<u>\$ -</u>	<u>\$7,127,741</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 145,917	\$ 10,400	\$ -	\$ 156,317
Less accumulated depreciation	<u>129,370</u>	<u>4,254</u>	<u>-</u>	<u>133,624</u>
Business type activities capital assets, net	<u>\$ 16,547</u>	<u>\$ 6,146</u>	<u>\$ -</u>	<u>\$ 22,693</u>

Depreciation expense was charged to the following functions:

Governmental activities	
Instruction	
Regular	\$ 39,497
Other	461
Support services	
Instructional staff	584
Administration	1,071
Operation and maintenance of plant	72,970
Transportation	46,793
Non-instructional programs	<u>4,926</u>
	166,302
Unallocated depreciation	<u>184,246</u>
Total governmental activities depreciation expense	<u>\$350,548</u>

Business type activities

Food services

\$ 4,254**Note 4. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$2,755,000	\$ -	\$(310,000)	\$ 2,445,000	\$ 310,000
Revenue bonds	3,255,000	-	-	3,255,000	135,000
Early retirement	32,571	69,668	(32,571)	69,668	69,668
Compensated absences	30,844	19,694	(30,844)	19,694	19,694
Net OPEB liability	<u>41,228</u>	<u>41,062</u>	<u>-</u>	<u>82,290</u>	<u>-</u>
Totals	<u>\$6,114,643</u>	<u>\$ 130,424</u>	<u>\$(373,415)</u>	<u>\$ 5,871,652</u>	<u>\$ 534,362</u>

Interest costs incurred and charged to expense on all long-term debt was \$244,180 for the year ended June 30, 2011. During the year ended June 30, 2011, the District made principal payments on long-term debt of \$310,000.

Early Retirement Termination Benefits

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. This voluntary early retirement plan is offered annually at the board's discretion. Eligible employees must be at least age fifty-five and have completed fourteen years of consecutive service to the District. Employees must complete an application, which is required to be approved by the Board of Education.

All employees who apply and are approved will receive a 50% benefit based upon certain criteria. For a teacher, the benefit is based upon the Schedule A salary, longevity and extended contract. Excluded from consideration is Phase I, II and III monies, Schedule B salary, and teacher quality money. Benefits for all other employees shall be based upon the contracted salary or yearly salary based on letter of assignment. Benefits for part-time employees shall be prorated as determined by the average of full-time equivalency of the last five years of employment.

The early retirement benefits are as follows:

- A. If the employee wishes to remain on the District's insurance policy, the amount of the benefit will be placed in a Health Care Savings Plan. This contribution will be made on behalf of the employee tax-free. The deposits will grow tax-free and are used at retirement tax-free for eligible medical expenses and premiums.

- B. If the employee waives the District's health insurance policy, the benefit will be placed in a special pay deferral plan (403(b)). The contribution will be made on behalf of the employee tax-deferred. The deposits grow tax-deferred and can be accessed by the retiree at any time. The withdrawals will be taxable at the time of withdrawal to the employee.

The employee must notify the Board on or before February 1st to receive the early retirement benefits. Depending upon the economic impact to the District, the Board may limit the number of employees allowed to take early retirement in any fiscal year. At June 30, 2011, there were three individuals receiving the benefit.

Compensated Absences

District employees accumulate vacation and compensatory hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as expenditures by the District until used or paid. The District's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2011 was \$19,694.

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 1, 2008			
	Interest Rates	Interest	Principal	Total
2012	3.20	\$ 89,855	\$ 310,000	\$ 399,855
2013	3.40	79,935	325,000	404,935
2014	3.60	68,885	340,000	408,885
2015	3.70	56,645	355,000	411,645
2016	3.80	43,510	360,000	403,510
2017-2018	3.9-4.0%	45,230	755,000	800,230
Totals		<u>\$384,060</u>	<u>\$2,445,000</u>	<u>\$2,829,060</u>

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of June 1, 2010			
	Interest Rates	Interest	Principal	Total
2012	2.00	\$ 116,892	\$ 135,000	\$ 251,892
2013	2.00	114,192	135,000	249,192
2014	2.00	111,492	135,000	246,492
2015	2.00	108,792	135,000	243,792
2016	3.00	105,417	135,000	240,417
2017-2021	3.0-3.9%	457,965	740,000	1,197,965
2022-2026	4.0-4.2%	297,130	925,000	1,222,130
2027-2030	4.25-4.4%	82,263	915,000	997,263
Totals		<u>\$1,394,143</u>	<u>\$3,255,000</u>	<u>\$4,649,143</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,255,000 of bonds issued in June 2010. The bonds were issued for the purpose of financing a portion of the costs of a weight room and practice gym construction project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual interest payments on the bonds are expected to require approximately 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,649,143. For the current year, there was \$68,975 of interest and no principal paid on the bonds and total statewide sales, services and use tax revenues were \$596,187.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$256,002 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) Proceeds of the bonds shall be deposited into the Project Account, which is to be used to finance the construction project. Interest earned by the Project Account shall remain in the Project Account and be spent in accordance with the resolution and applicable provisions of the Code.
- c) All proceeds from the statewide sales, services and use tax shall be placed in the Revenue Account.
- d) Monies in the Revenue Account shall be disbursed to make deposits into the Sinking Account to pay the principal and interest requirements of the revenue bonds.
- e) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 5. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.5%, 4.30% and 4.10 % of their annual covered salary and the District was required to contribute 6.95%, 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$320,201, \$301,807 and \$280,443, respectively, equal to the required contributions for each year.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 97 active members, of which 5 were excluded from the valuation due to various reasons, and two retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 47,703
Interest on net OPEB obligation	1,031
Adjustment to annual required contribution	<u>(4,198)</u>
Annual OPEB cost	44,536
Contributions made	<u>(3,474)</u>
Increase in net OPEB obligation	41,062
Net OPEB obligation beginning of year	<u>41,228</u>
Net OPEB obligation end of year	<u>\$ 82,290</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$3,474 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended <u>June 30,</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 43,998	7.8%	\$ 41,228
2011	\$ 44,536	6.3%	\$ 82,290

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$268,375, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$268,375. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.5 million and the ratio of UAAL to covered payroll was 6%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$324,731 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any,

based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 10. Unspent Authorized Budget

The District's unspent authorized budget, as calculated by the Iowa Department of Management was \$1,732,864 at June 30, 2011.

Note 11. Solvency Ratio

The District's solvency ratio at June 30, 2011 is calculated as follows:

$$\frac{\text{Unreserved General Fund Balance}}{\text{General Fund Revenues}} = \frac{\$ 866,377}{\$7,767,101} = 11\%$$

Note 12. Subsequent Event Construction Commitment

In June 2010, the District sold \$3,255,000 of revenue bonds to help finance the construction of a weight room and practice gym. The project began during the summer of 2010 and is expected to be completed in the fall of 2011. As of June 30, 2011, the District has entered into contracts totaling \$3,335,077 for the project. Costs of \$929,390 had been incurred against the project as of June 30, 2011. The balance of \$2,405,687 remaining at June 30, 2011 will be paid as work on the project progresses

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue
	Physical Plant and Equipment Levy	Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ -	\$ 466,940
Change in fund type classification per implementation of GASB Statement No. 54	466,940	(466,940)
Balances July 1, 2010, as restated	<u>\$ 466,940</u>	<u>\$ -</u>

Note 14. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	
Limited English proficiency program	\$ 4,855
Home school assistance program	3,370
Gifted and Talented	121,906
Returning dropout and dropout prevention program	128,892
Beginning teacher mentoring and induction program	871
Teacher salary supplement	52,084
Class size reduction	53,297
Transportation aid for nonpublic students	1,884
Textbook aid for nonpublic students	2,856
School ready children grants	325
Statewide voluntary preschool	67,527
Educator quality, professional development for model core curriculum	7,135
Educator quality, professional development	14,395
Educator quality, market factor incentives	<u>3,049</u>
	<u>\$462,446</u>

Note 15. New Governmental Accounting Standards Board (GASB) Statements

During the year ended June 30, 2011, the District implemented the following GASB statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The District reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments

and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

As of June 30, 2011, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve the financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and government operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statement to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncement issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Required Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>	Budgeted Amounts <u>Original</u> <u>Final</u>	Final to Actual <u>Variance</u>
Revenues					
Local sources	\$ 5,672,521	\$ 233,796	\$ 5,906,317	\$ 5,287,661	\$ 618,656
State sources	3,871,506	3,256	3,874,762	4,137,377	(262,615)
Federal sources	373,888	129,020	502,908	162,000	340,908
Total revenues	<u>9,917,915</u>	<u>366,072</u>	<u>10,283,987</u>	<u>9,587,038</u>	<u>696,949</u>
Expenditures/Expenses					
Instruction	5,265,282	-	5,265,282	5,639,000	373,718
Support services	2,475,365	4,002	2,479,367	2,572,900	93,533
Non-instructional programs	1,000	353,407	354,407	349,700	(4,707)
Other expenditures	2,478,964	-	2,478,964	2,278,446	(200,518)
Total expenditures/expenses	<u>10,220,611</u>	<u>357,409</u>	<u>10,578,020</u>	<u>10,840,046</u>	<u>262,026</u>
Excess (deficiency) of revenues over (under) expenditures/expenses Net other financing sources	(302,696)	8,663 <u>15,975</u>	(294,033) <u>15,975</u>	(1,253,008) <u>-</u>	958,975 <u>15,975</u>
Net change in fund balance Balance, beginning of year Balance, end of year	(302,696) <u>5,934,128</u> <u>\$ 5,631,432</u>	24,638 <u>57,601</u> <u>\$ 82,239</u>	(278,058) <u>5,991,729</u> <u>\$ 5,713,671</u>	(1,253,008) <u>1,478,650</u> <u>\$ 225,642</u>	974,950 <u>4,513,079</u> <u>\$ 5,488,029</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the certified budget during the year ended June 30, 2011.

During the year ended June 30, 2011, expenditures in the non-instructional programs and the other expenditures functions exceeded the amounts budgeted.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$268,375	\$268,375	\$ -	\$4,628,758	5.8%
2011	July 1, 2009	-	268,375	268,375	-	4,499,215	6.0%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

Schedule 1

	<u>Special Revenue</u>			
	<u>Student</u>	<u>Management</u>	<u>Debt</u>	
	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 113,169	\$180,296	\$ 39,990	\$333,455
Receivables				
Property tax				
Delinquent	-	1,907	5,102	7,009
Succeeding year	-	200,000	400,255	600,255
Accounts receivable	1,124	-	-	1,124
Total assets	<u>\$ 114,293</u>	<u>\$382,203</u>	<u>\$445,347</u>	<u>\$941,843</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 5,422	\$ 2,739	\$ -	\$ 8,161
Deferred revenue				
Succeeding year property tax	-	200,000	400,255	600,255
Total liabilities	<u>5,422</u>	<u>202,739</u>	<u>400,255</u>	<u>608,416</u>
Fund balances				
Restricted for				
Debt service	-	-	45,092	45,092
Management levy purposes	-	179,464	-	179,464
Student activities	108,871	-	-	108,871
Total fund balances	<u>108,871</u>	<u>179,464</u>	<u>45,092</u>	<u>333,427</u>
Total liabilities and fund balances	<u>\$ 114,293</u>	<u>\$382,203</u>	<u>\$445,347</u>	<u>\$941,843</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

Schedule 2

	Special Revenue			
	Student	Management	Debt	Total
Revenues	Activity	Levy	Service	
Local sources				
Local tax	\$ -	\$135,471	\$ 410,229	\$ 545,700
Other	475,156	150	-	475,306
State sources	-	44	119	163
Total revenues	<u>475,156</u>	<u>135,665</u>	<u>410,348</u>	<u>1,021,169</u>
Expenditures				
Current				
Instruction				
Regular	-	59,821	-	59,821
Other	<u>493,198</u>	<u>-</u>	<u>-</u>	<u>493,198</u>
Total instruction	<u>493,198</u>	<u>59,821</u>	<u>-</u>	<u>553,019</u>
Support services				
Administration	-	5,000	-	5,000
Operation and maintenance of plant	-	112,741	-	112,741
Transportation	<u>-</u>	<u>16,869</u>	<u>-</u>	<u>16,869</u>
Total support services	<u>-</u>	<u>134,610</u>	<u>-</u>	<u>134,610</u>
Non-instructional programs	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Other expenditures				
Long-term debt				
Principal	-	-	310,000	310,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>169,330</u>	<u>169,330</u>
Total other expenditures	<u>-</u>	<u>-</u>	<u>479,330</u>	<u>479,330</u>
Total expenditures	<u>493,198</u>	<u>195,431</u>	<u>479,330</u>	<u>1,167,959</u>
(Deficiency) of revenues (under) expenditures	(18,042)	(59,766)	(68,982)	(146,790)
Other financing sources				
Interfund operating transfers in	<u>-</u>	<u>-</u>	<u>66,676</u>	<u>66,676</u>
Net change in fund balances	(18,042)	(59,766)	(2,306)	(80,114)
Fund balances, beginning of year, as restated	<u>126,913</u>	<u>239,230</u>	<u>47,398</u>	<u>413,541</u>
Fund balances, end of year	<u>\$108,871</u>	<u>\$179,464</u>	<u>\$ 45,092</u>	<u>\$ 333,427</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Capital Project Accounts
June 30, 2011

Schedule 3

	Capital Projects			
	Statewide	Physical	Other	
	Sales, Services	Plant and	Capital	
	<u>and Use Tax</u>	<u>Equipment</u>	<u>Projects</u>	<u>Total</u>
		<u>Levy</u>		
Assets				
Cash and pooled investments				
Cash with fiscal agent	\$ 450,501	\$ -	\$ -	\$ 450,501
Other	442,402	501,046	2,390,916	3,334,364
Receivables				
Property tax				
Delinquent	-	2,842	-	2,842
Succeeding year	-	217,936	-	217,936
Income surtax	-	231,709	-	231,709
Due from other governments	201,439	-	-	201,439
Total assets	<u>\$ 1,094,342</u>	<u>\$953,533</u>	<u>\$2,390,916</u>	<u>\$4,438,791</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 17,578	\$ 4,516	\$ 22,094
Deferred revenue				
Succeeding year property tax	-	217,936	-	217,936
Income surtax	-	231,709	-	231,709
Total liabilities	<u>-</u>	<u>467,223</u>	<u>4,516</u>	<u>471,739</u>
Fund balances				
Restricted for				
School infrastructure	1,094,342	-	2,386,400	3,480,742
Physical plant and equipment	-	486,310	-	486,310
Total fund balances	<u>1,094,342</u>	<u>486,310</u>	<u>2,386,400</u>	<u>3,967,052</u>
Total liabilities and fund balances	<u>\$ 1,094,342</u>	<u>\$953,533</u>	<u>\$2,390,916</u>	<u>\$4,438,791</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
For the Year Ended June 30, 2011

Schedule 4

	Capital Projects			
	Statewide	Physical	Other	
	Sales, Services	Plant and	Capital	
	and Use Tax	Equipment	Projects	Total
Revenues		Levy		
Local sources				
Local tax	\$ 596,187	\$473,782	\$ -	\$1,069,969
Other	5,833	3,647	50,130	59,610
State sources	-	66	-	66
Total revenues	<u>602,020</u>	<u>477,495</u>	<u>50,130</u>	<u>1,129,645</u>
Expenditures				
Current				
Instruction				
Regular	25,157	14,126	-	39,283
Other expenditures				
Facilities acquisition	197,564	443,999	1,025,340	1,666,903
Long-term debt				
Interest and fiscal charges	-	-	8,000	8,000
Total expenditures	<u>222,721</u>	<u>458,125</u>	<u>1,033,340</u>	<u>1,714,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>379,299</u>	<u>19,370</u>	<u>(983,210)</u>	<u>(584,541)</u>
Other financing sources (uses)				
Interfund operating transfers in	-	-	3,227,962	3,227,962
Interfund operating transfers (out)	(3,294,638)	-	-	(3,294,638)
Total other financing sources (uses)	<u>(3,294,638)</u>	<u>-</u>	<u>3,227,962</u>	<u>(66,676)</u>
Net change in fund balances	(2,915,339)	19,370	2,244,752	(651,217)
Fund balances, beginning of year, as restated	<u>4,009,681</u>	<u>466,940</u>	<u>141,648</u>	<u>4,618,269</u>
Fund balances, end of year	<u>\$ 1,094,342</u>	<u>\$486,310</u>	<u>\$2,386,400</u>	<u>\$3,967,052</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2011

Schedule 5

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Drama	\$ 1,716	\$ 3,103	\$ 3,290	\$ -	\$ 1,529
Arts Angels	100	16,500	-	-	16,600
HS art	1,590	785	1,921	-	454
Speech/debate	-	-	112	112	-
HS vocal music	-	289	497	208	-
HS instrumental music	5,271	3,500	5,598	300	3,473
Show choir	4,286	4,091	11,171	2,794	-
Music travel	3,088	106,625	105,809	(3,003)	901
MS instrumental music	4,735	2,691	6,813	68	681
Musical	-	8	-	-	8
Swing show	1,683	4,675	2,684	-	3,674
Athletics	13,857	62,617	60,781	(15,693)	-
Athletic towels	-	-	144	144	-
Booster club donation	-	25,000	3,000	(22,000)	-
Golf fundraiser	2,062	3,484	4,891	-	655
Scoreboard Fund	11,546	44,365	58,237	2,326	-
Drill team	35	-	-	-	35
Boys basketball	-	-	3,206	3,206	-
Boys basketball camp	5,610	5,639	9,594	-	1,655
Football	-	-	18,961	18,961	-
Football fundraiser	3,045	31,033	27,569	282	6,791
MS football	199	-	10	-	189
Baseball	-	-	2,169	2,169	-
Baseball fundraiser	3,985	8,489	8,932	-	3,542
Boys track	-	-	2,935	2,935	-
Boys track fundraiser	132	3,314	2,717	-	729
Boys golf	-	-	195	195	-
Wrestling	-	-	4,083	4,083	-
Wrestling fundraiser	1,723	10,448	9,237	-	2,934
Girls basketball	-	-	1,432	1,432	-
Girls basketball camp	4,898	10,074	11,409	260	3,823
Volleyball	-	-	1,078	1,078	-
Volleyball fundraiser	3,644	8,725	7,031	(68)	5,270
Softball	-	-	3,523	3,523	-
Girls track	-	-	359	359	-

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2011

Schedule 5

Account	Balance, End of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Softball captains	\$ 1,197	\$ 6,265	\$ 6,990	\$ -	\$ 472
Girls track fundraiser	481	2,993	2,598	-	876
Girls golf	-	-	150	150	-
Cheerleaders	-	10,987	8,817	(1,582)	588
HS manufacturing	-	75	513	438	-
Industrial tech club	374	3,033	3,000	(407)	-
Calendar	574	642	342	-	874
Spanish club	244	96	313	-	27
High school fund	1,584	7,077	4,839	(146)	3,676
Ecology club	197	-	200	3	-
Elementary school fund	7,177	12,628	15,690	-	4,115
HS yearbook	8,749	7,818	6,848	-	9,719
HS student government	1,366	2,759	3,248	-	877
Journalism - The Bear	4,389	2,848	1,572	-	5,665
Middle school fund	9,031	22,733	18,674	-	13,090
Hoover IMC	491	4,079	4,144	-	426
MS IMC	412	1,217	1,136	-	493
HS media	610	74	7	-	677
MS pop fund	394	229	105	-	518
Family and consumer science	449	214	-	-	663
FFA	9,032	17,954	19,080	-	7,906
MS yearbook	331	2,210	2,516	-	25
National Honor Society	205	1,695	1,410	-	490
Central office	2,608	963	832	(1,982)	757
Economics club	384	-	-	-	384
Entrepreneurship	150	-	-	-	150
Ski club	1,565	-	-	-	1,565
Class of					
2009	85	-	-	(85)	-
2010	352	-	-	(352)	-
2011	708	81	1,427	638	-
2012	-	10,057	9,242	-	815
2013	5	-	-	(5)	-
Hart Donation	500	-	-	-	500
Interest	15	880	-	(341)	554
Concessions	49	94	117	-	26
Totals	<u>\$ 126,913</u>	<u>\$ 475,156</u>	<u>\$ 493,198</u>	<u>\$ -</u>	<u>\$ 108,871</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2011

Schedule 6

	Balance, Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End of <u>Year</u>
Assets				
Cash	<u>\$ 3,250</u>	<u>\$ 5,219</u>	<u>\$ 4,700</u>	<u>\$3,769</u>
Liabilities				
Due to others	<u>\$ 3,250</u>	<u>\$ 5,219</u>	<u>\$ 4,700</u>	<u>\$3,769</u>

See accompanying Independent Auditor's Report.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Eight Years

Schedule 7

	Modified Accrual Basis							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues								
Local sources								
Local Tax	\$ 4,691,275	\$ 4,398,381	\$ 4,134,684	\$3,802,558	\$3,530,153	\$3,207,158	\$3,046,484	\$2,786,886
Tuition	341,921	311,607	333,537	296,713	256,336	257,077	233,158	208,726
Other	639,325	503,215	645,394	513,804	480,679	452,359	375,715	268,002
Intermediate sources	-	-	-	-	-	-	4,944	13,706
State sources	3,871,506	3,165,553	3,626,646	3,487,950	3,366,620	3,138,714	3,079,953	2,914,952
Federal sources	373,888	623,876	232,285	161,439	103,837	101,670	110,254	140,136
Total revenues	<u>\$ 9,917,915</u>	<u>\$ 9,002,632</u>	<u>\$ 8,972,546</u>	<u>\$8,262,464</u>	<u>\$7,737,625</u>	<u>\$7,156,978</u>	<u>\$6,850,508</u>	<u>\$6,332,408</u>
Expenditures								
Current								
Instruction								
Regular	\$ 3,248,979	\$ 3,462,979	\$ 3,861,631	\$3,314,655	\$3,207,172	\$2,986,032	\$2,715,358	\$2,833,913
Special	814,181	838,044	823,485	792,696	638,373	695,927	607,288	637,515
Other	1,202,122	1,091,710	834,467	694,487	634,199	611,646	769,602	572,011
Support services								
Student	232,893	237,065	211,360	162,540	150,008	176,789	114,682	106,769
Instructional staff	173,521	176,563	171,126	186,690	169,815	168,855	225,587	124,357
Administration	938,799	939,060	853,682	834,217	788,900	700,320	637,241	597,660
Operation and maintenance of plant	801,827	669,541	621,572	608,323	607,274	631,269	608,420	569,145
Transportation	328,325	428,549	311,792	388,764	285,488	335,477	293,685	244,661
Non-instructional programs	1,000	1,000	1,891	-	-	-	-	-
Other expenditures								
Facilities acquisition	1,666,903	1,461,246	2,598,230	718,263	476,773	490,044	196,359	392,887
Long-term debt								
Principal	310,000	364,752	290,000	-	-	-	-	-
Interest and other charges	177,330	107,942	123,851	-	-	-	9,150	-
AEA flowthrough	324,731	309,998	268,952	253,937	244,724	222,290	219,163	216,427
Total expenditures	<u>\$10,220,611</u>	<u>\$10,088,449</u>	<u>\$10,972,039</u>	<u>\$7,954,572</u>	<u>\$7,202,726</u>	<u>\$7,018,649</u>	<u>\$6,396,535</u>	<u>\$6,295,345</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite3

Muscatine, Iowa 52761

563-264-1385

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education
West Branch Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Branch Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 2, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered West Branch Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of West Branch Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of West Branch Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified a certain deficiency in internal control over financial reporting I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be

prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Branch Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Branch Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit West Branch Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Branch Community School District and other parties to whom West Branch Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the West Branch Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 2, 2012

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

Part I. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the following duties were performed by the same individual: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2011 exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should ensure that the budget is properly amended before expenditures are allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - I did not note any expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.
11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

Beginning balance		\$ 4,009,681
Revenues		
Statewide sales and services tax revenue	\$ 596,187	
Other local revenues	<u>5,833</u>	602,020
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 197,564	
Equipment	25,157	
Debt service for school infrastructure		
Revenue debt	<u>3,294,638</u>	<u>3,517,359</u>
Ending balance		<u>\$ 1,094,342</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

WEST BRANCH COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2011

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant